

**DEPARTMENT OF JUSTICE  
HB 143: Charity Registration Act**

**Background**

Montana's nonprofit organizations contribute a great deal to our citizens and communities. Nonprofits also play a significant role in our state's economy. The nonprofit sector accounts for 11 percent of our gross state product.

The Office of Consumer Protection is seeing an increasing number of complaints about fraudulent solicitations by purported charities. In response to similar concerns, 40 states and the District of Columbia require charities to disclose basic information about their fundraising efforts. Montana does not require any disclosure so there is no reliable way for Montanans to know who is fundraising in the state, how the funds are spent, and who to hold accountable for fraud and other violations of existing law.

Because we have no disclosure requirements, con artists see Montanans' generosity as an easy target. In some cases, bogus charities have misidentified themselves as Montana charities while funneling the money out of the state. Meanwhile, every week the Office of Consumer Protection receives calls from Montanans looking for charities they can trust with their donations, but OCP has no way of providing the information.

**Need for Public Disclosure and Accountability**

The nonprofit sector is only as strong as the public's confidence in it. Good reporting laws can serve as a defense against fraud, protecting both the public and legitimate charities. Disclosure is a critical element of accountability. Simple, effective reporting by charities is needed to strengthen public confidence and to help the Attorney General's Office target fraudulent practices.

**Provisions of HB 143**

HB 143 proposes simple, effective disclosure of charitable activities. Charities already file annual reports with the Secretary of State. The registration statement would be part of the annual report filing.

Under HB 143, the Department of Justice may adopt rules to:

- require each charity to include in its registration statement its most recent tax return filed with the Internal Revenue Service
- provide for electronic filing, and coordinate the process with the Secretary of State's Office
- develop a form similar to one used by other states

HB 143 also allows the Department of Justice to set filing fees ranging from \$10 to \$100, based on the organization's gross annual revenue.

## **Failure to register**

A charity that fails to register would be liable for a civil penalty of \$5 for each day it is not registered, not to exceed \$1,000 for each year that the charity seeks donations in this state without registering.

All fines, fees and costs must be deposited into a state special revenue account to fund the department's work related to the registry.

The bill would go into effect in July 2009, giving any charity that does not have this information adequate time to compile it.

2009 Legislature  
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